

# Scandi Economics Update

## Swedish Voters Want Political Blocks to Cooperate

- **Sweden — Voters want the two political blocks to cooperate.** An Ipsos poll made on behalf of the Swedish daily, *Dagens Nyheter*, shows that as many as 36% of voters prefer a government comprised of members from the current government coalition and the Social Democratic opposition. Comment: This indicates that the current political framework with two opposing blocks could become history during the next four-year mandate period if the centre-left opposition fails to gain a majority in parliament after the 14 September election.
- **Sweden — Weak retail sales in July.** Retail sales surprisingly slipped by 0.7% M/M in July (+2.3% Y/Y) following very strong growth in 2Q. In the press release, Statistics Sweden notes that the unusually warm July weather might have kept consumers away from the shopping centers. Historically, meanwhile, it is difficult to confirm that weather is an important factor for retail sales. The weak retail sales figure is consistent with the eroding consumer sentiment; according to the NIER survey, the consumer confidence indicator fell further below the long-term average in August. The ongoing declines in consumer confidence are hard to explain, and we maintain that there are still many reasons to expect consumption to accelerate ahead; income growth is strong, employment growth is accelerating and asset prices are increasing.
- **Norway — Slightly lower registered jobless rate** (out at 9.00 UK time). The registered jobless rate during the first seven months of the year averages 2.75% (in seasonally-adjusted terms), which is well in line with Norges Bank's full-year forecast from the June Monetary Policy Report. In line with the seasonal pattern, we expect the registered unemployment rate to fall by 0.1pp to 2.9% in August.
- **Norway — Retail sales ex. petrol stations, No FX purchases for GPFG in Sep.**
- **Denmark — 2Q GDP (out at 8.00 UK time).** Statistics Denmark publishes preliminary national accounts data for the second quarter today. The relatively strong growth gain in the first quarter (0.8% Q/Q) was to some extent driven by temporary factors, which may well have lapsed in 2Q. In addition, we note that private consumption has failed to accelerate and exports seem to have lost some steam after decent growth in the first quarter. On the investment outlook, ship investments will no longer add to overall investment activity, and growth in this component should be much more moderate. Furthermore, residential investment will probably fall back somewhat, after having boosted overall investment activity early this year due to a combination of mild winter weather and repair work following the two storms in autumn last year. Public investment, on the other hand, might well add to overall investment. The consensus looks for a quarterly gain of 0.3% Q/Q in 2Q, which appears somewhat on the high side, in our view.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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**Norway — Retail sales ex. petrol stations.** Monthly metrics confirm that the weak trend for private consumption throughout most of 2013 has been broken, with momentum in retail sales (1.4% Q/Q vs. 1.2% Q/Q in 1Q) and the more important spending on goods component (0.9% Q/Q vs. 1.1% Q/Q in 1Q) staying firm also in 2Q. Improving conditions on the housing market and a surprisingly resilient labour market should also support private consumption ahead. Note that goods consumption accounts for a little less than 50% of overall private consumption. Following very strong growth in June (1.2% M/M), we could see a payback in retail sales in July.

**Norway — No FX purchases for GPFG in September.** The revised budget (out 15 May) supports our expectations that Norges Bank will have no need to buy FX (sell NOK) this year on behalf of the Government for the Pension Fund Global. This was confirmed in the press statement on Norges Bank's foreign exchange purchases on June, saying that *"This means that Norges Bank will not purchase foreign exchange for the GPFG in the coming months"*. Meanwhile, we might end up in a situation where the Bank might well have to buy NOK, possibly next year: *"Somewhat further ahead, the government's foreign currency revenues from the SDFI may exceed the transfers to the GPFG. In that case, the surplus foreign exchange will have to be sold in the market"*. Hence, *"Norges Bank will be tasked with selling the foreign exchange in the same way as it has been tasked to date with purchasing foreign exchange, on behalf of the government, for the GPFG"*.

## Appendix A-1

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